

**M.A.I.S.L.**  
**(Metropolitan Association for Improved School Legislation)**  
**Joint Risk Management Trust**

---

**Financial Report**  
**with Supplemental Information**  
**June 30, 2006**

# **M.A.I.S.L. Joint Risk Management Trust**

---

## **Contents**

<b>Report Letter</b>	<b>I</b>
<b>Management's Discussion and Analysis</b>	<b>2-5</b>
<b>Basic Financial Statements</b>	
Statement of Net Assets	6
Statement of Revenue, Expenses, and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9-14
<b>Required Supplemental Information</b>	15
Schedule of Claims Information for All Lines of Coverage	16-17
<b>Other Supplemental Information</b>	18
Statement of Operations by Policy Year from Inception through June 30, 2006	19-20
Statement of Operations and Changes in Members' Equity (Deficit) by Policy Year	21-22

## Independent Auditor's Report

To the Board of Directors  
M.A.I.S.L. Joint Risk Management Trust

We have audited the statement of net assets of M.A.I.S.L. Joint Risk Management Trust as of June 30, 2006 and 2005 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M.A.I.S.L. Joint Risk Management Trust at June 30, 2006 and 2005 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise M.A.I.S.L. Joint Risk Management Trust's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*



A worldwide association of independent accounting firms

August 17, 2006

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis**

This section of M.A.I.S.L. Joint Risk Management Trust's (the "Trust") annual financial report presents our discussion and analysis of the Trust's financial performance during the year ended June 30, 2006. Please read it in conjunction with the Trust's financial statements, which immediately follow this section.

### **Using this Annual Report**

The Trust is a public entity self-insurance pool that provides property and liability coverages to its participating members. Membership is primarily, but not limited to, school districts in the state of Michigan. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Trust. This is followed by the statement of cash flows, which presents detailed information about the changes in the Trust's cash position during the year.

### **Financial Overview**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The Trust is considered a special purpose government solely engaged in business-type activities. The basic financial statements, which follow this section, provide both long-term and short-term information about the Trust's financial status. The Trust uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. These statements reflect only the risk carried by the Trust, which also includes any potential unrecoverable reinsurance claims. The three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting the Trust's assets, liabilities, and net assets.
- **Statement of Revenues, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenues and expenses for the previous two fiscal years. Operating revenues consist primarily of member contributions and investment income, with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and reinsurance costs.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis (Continued)**

### **Condensed Financial Information**

The statements report the Trust's net assets and how they have changed. Net assets - the difference between the Trust's assets and liabilities - is one way to measure the Trust's financial health, or position. Over time, increases and decreases in the Trust's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information follows:

<b><u>Condensed Statement of Net Assets</u></b>	June 30		
	2006	2005	2004
<b>Assets</b>	\$ 7,776,943	\$ 7,325,199	\$ 5,750,187
<b>Liabilities</b>			
Current	1,927,048	2,334,360	1,359,319
Long-term	3,299,970	3,178,853	2,144,054
Total liabilities	5,227,018	5,513,213	3,503,373
<b>Net Assets - Unrestricted</b>	<b>\$ 2,549,925</b>	<b>\$ 1,811,986</b>	<b>\$ 2,246,814</b>

  

<b><u>Condensed Statement of Changes in Net Assets</u></b>	Year Ended June 30		
	2006	2005	2004
<b>Changes in Net Assets</b>			
Total revenue	\$ 9,883,167	\$ 9,531,629	\$ 9,195,760
Total expenses	9,145,228	9,966,457	8,502,167
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 737,939</b>	<b>\$ (434,828)</b>	<b>\$ 693,593</b>

In addition to net assets, when assessing the overall health of the Trust, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by the Trust and its members.

The Trust cannot control the first two factors. However, since its inception, the Trust has been a leader in implementing aggressive risk-prevention programs. It provides extensive training to its members in various areas of school district operations. It makes use of several advisory committees comprised of member employees holding job responsibilities related to the activities of the committees.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis (Continued)**

### **Condensed Comparative Financial Highlights**

- Overall, the Trust's net assets increased by \$737,939, from \$1,811,986 to \$2,549,925, due to an increase in member contributions and investment income coupled with a decrease in the provision for claims.
- Total revenue increased by \$351,538, from \$9,531,629 to \$9,883,167. Member contributions for insurance coverage premiums increased \$132,727 and investment income increased by \$224,049.
- Risk management, underwriting, and other administrative expenses increased by \$72,855, from \$1,143,322 to \$1,216,177 due to an increase in service fees, professional fees, administrative fees, and state assessments, which was partially offset by a decrease in office expenses.
- Incurred claims and claims adjustment expenses were \$3,060,108 and \$3,879,126 for the years ended June 30, 2006 and 2005, respectively.
- Outside reinsurance costs decreased by \$75,066, from \$4,944,009 to \$4,868,943.
- Reserves (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, decreased by \$275,167.
- Investment income of \$356,451 was earned this year compared to \$132,402 in the prior year. This increase was a direct result of market interest rates and investing in certificates of deposits during the current year.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise the most significant numbers in the asset section of the Trust's statement of net assets.

Currently, all cash and cash equivalents of the Trust are held as permitted by Michigan School Law and as permitted under the Insurance Code of 1969, Act 217 of the Public Acts of 1969 as amended, being Rule 408.43i of the Michigan Compiled Laws.

Currently, all cash and cash equivalents of the Trust are professionally managed in money market funds and certificates of deposit and held in trust by JP Morgan Chase Bank, N.A.

### **Reserves for Unpaid Claims**

The Trust's most significant numbers in the liability section of the statement of net assets are the reserves for reported and incurred but not reported claims and claim adjustment expenses. Milliman Consultants and Actuaries, a Milliman Global Firm, conducts an independent actuarial analysis to determine the adequacy and reasonableness of such reserves.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis (Continued)**

### **Contacting the Trust's Administration**

This report is designed to give an overview of the financial condition of M.A.I.S.L. Joint Risk Management Trust. If there are additional questions or information needed, please contact the administration at (734) 425-4030.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Statement of Net Assets**

	June 30	
	2006	2005
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 7,551,612	\$ 7,156,999
Accounts receivable - Excess insurance carrier	73,867	-
Funds on deposit with claims administrator	150,000	150,000
Other assets	1,464	18,200
Total assets	7,776,943	7,325,199
<b>Liabilities</b>		
Accounts payable:		
Trade	203	15,481
Excess insurance carrier	-	77,662
Allowance for unsettled claims and claims incurred but not reported (Note 3):		
Due within one year	2,596,112	2,817,095
Due in more than one year	3,299,970	3,178,853
Amounts due from excess insurance carrier	(883,184)	(707,883)
Other accrued liabilities	213,917	132,005
Total liabilities	5,227,018	5,513,213
<b>Net Assets - Undesignated</b>	<b>\$ 2,549,925</b>	<b>\$ 1,811,986</b>



# **M.A.I.S.L. Joint Risk Management Trust**

## **Statement of Revenue, Expenses, and Changes in Net Assets**

	Year Ended June 30	
	2006	2005
<b>Operating Revenue</b>		
Member contributions	\$ 9,526,716	\$ 9,393,989
Investment income	356,451	132,402
Miscellaneous revenue	-	5,238
	<u>9,883,167</u>	<u>9,531,629</u>
<b>Total operating revenue</b>		
	9,883,167	9,531,629
<b>Operating Expenses</b>		
Provision for claims:		
Payments	3,335,275	1,980,154
Change in liabilities for unsettled claims and claims incurred but not reported - Net of reinsurance recoveries (Note 3)	(275,167)	1,898,972
Excess insurance premiums	4,868,943	4,944,009
Service fee	507,645	487,498
Administrative expenses:		
Risk manager	53,110	50,581
Insurance and bonds	16,422	16,422
Professional fees	35,841	30,967
Office expenses	47,224	53,582
Administrative fee	158,685	139,595
Surplus lines tax/State assessments	397,250	364,677
	<u>9,145,228</u>	<u>9,966,457</u>
<b>Total operating expenses</b>		
	9,145,228	9,966,457
<b>Operating Income (Loss)</b>	737,939	(434,828)
<b>Net Assets - Beginning of year</b>	<u>1,811,986</u>	<u>2,246,814</u>
<b>Net Assets - End of year</b>	<u><u>\$ 2,549,925</u></u>	<u><u>\$ 1,811,986</u></u>

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Cash Flows

	Year Ended June 30	
	2006	2005
<b>Cash Flows from Operating Activities</b>		
Cash received from members	\$ 9,469,585	\$ 9,453,450
Claims and claims adjustment expenses paid	(3,335,275)	(1,980,154)
Cash payments to suppliers for goods and services	(6,096,148)	(5,976,463)
Net cash provided by operating activities	38,162	1,496,833
<b>Cash Flows from Investing Activities - Interest</b>	356,451	132,402
<b>Net Increase in Cash and Cash Equivalents</b>	394,613	1,629,235
<b>Cash and Cash Equivalents - Beginning of year</b>	7,156,999	5,527,764
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 7,551,612</b>	<b>\$ 7,156,999</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ 737,939	\$ (434,828)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Interest and dividends	(356,451)	(132,402)
(Increase) decrease in assets:		
Accounts receivable	(73,867)	55,968
Other assets	16,736	(1,745)
Increase (decrease) in liabilities:		
Accounts payable	(92,940)	82,170
Allowance for unsettled claims and claims incurred but not reported	(275,167)	1,898,972
Accrued liabilities	81,912	28,698
Net cash provided by operating activities	<b>\$ 38,162</b>	<b>\$ 1,496,833</b>

There have been no noncash transactions in 2006 or 2005.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 1 - Nature of Entity and Significant Accounting Policies**

M.A.I.S.L. Joint Risk Management Trust (the "Trust") was established June 30, 1988 under the laws of the State of Michigan as a governmental group self-insurance trust. Organizational activity relating to the formation of the Trust, including the selection of the board of directors, was sponsored by the Metropolitan Association for Improved School Legislation (M.A.I.S.L.), the founding association. The Trust provides coverage for various types of liability, including the following: general, automobile, automobile physical damage, mobile equipment, EDP software, fine arts, crime umbrella, and other miscellaneous property. Membership in the Trust is primarily, but not limited to, school districts in the state of Michigan, with 36 districts currently participating.

The program's general objectives are to manage the Trust, provide risk management consisting of compensating members for losses, costs, and expenses related to the stated coverages, and utilize the funds contributed by members to defend any member of the pool against stated liability or loss. Membership in the Trust is considered after a formal request supported by a resolution from the board of education of the applying school district. A member may withdraw from the Trust by giving written notice. Written notice must be given six months prior to the following fiscal year.

Trust underwriting and rate-setting policies are established after consultation with the excess insurance underwriters and the actuaries. Members are given 30 days' notice to make annual contributions to the Trust. The annual contributions are based on a final budget approved by the board of directors.

The accompanying financial statements are presented using the accrual method of accounting. Contributions from members, which are calculated by the service company in compliance with the provisions of the Trust's excess insurance policies, are recorded as revenue. Claim losses, along with excess insurance premiums, service fees, and administrative costs, are recorded as expenses. The estimated total cost of claim losses is accrued based on the estimate of claims that will be ultimately filed for an insurance period. To the extent that the group's contributions ultimately exceed claim losses and other costs, the excess amount will be refunded in the future. If necessary, funding deficits in individual policy years will be recovered through additional member contributions assessed to members participating in that policy year.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 1 - Nature of Entity and Significant Accounting Policies (Continued)**

The Trust distinguishes operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Trust's principal ongoing operations. The principal operating revenue relates to member's premiums and investment income. Operating expenses include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Cash Equivalents** - The Trust considers all highly liquid investments purchased with an original maturity of three months or less, including bank-managed investment pools, to be cash equivalents.

**Accounts Receivable** - Trade accounts receivable are stated at net invoice amounts. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. No allowance for bad debts is recorded because management considers all accounts receivable to be collectible.

**Federal Income Tax Status** - The Trust's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision has been made for taxes on income.

**Contribution Deficiency** - Anticipated investment income is considered in determining if a contribution deficiency exists.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates related to allowances for unsettled claims and claims incurred but not reported are described in Note 3.

### **Note 2 - Deposits and Investments**

The Trust's investment policy authorizes the Trust to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

The Trust has designated Bank One for the deposit of its cash.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 2 - Deposits and Investments (Continued)**

The Trust's cash and investments are subject to several types of risk, including custodial credit risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk of bank deposits. At year end, the Trust's deposit balance of \$7,885,321 had \$7,585,321 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Trust believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Trust evaluates each financial institution with which it deposits the Trusts' assets and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### **Note 3 - Allowances for Unsettled Claims and Claims Incurred but Not Reported**

As discussed in Note 1, the Trust establishes a liability for both reported and unreported claims that includes estimates of both future losses and related claim adjustment expenses.

At June 30, 2006 and 2005, the estimates are as follows:

	<u>2006</u>	<u>2005</u>
Case reserves (estimated by insurance service provider)	\$ 2,638,715	\$ 3,128,377
Estimate of future development on case reserves and claims incurred prior to June 30, not reported as of that date, that are expected to be filed in the future (actuarially calculated)	3,486,561	3,015,473
Less portion to be paid by excess insurance carrier (Note 4)	<u>(883,184)</u>	<u>(707,883)</u>
Net undiscounted reserves	5,242,092	5,435,967
Less effect of discount	<u>(229,194)</u>	<u>(147,902)</u>
Net discounted reserves	<u>\$ 5,012,898</u>	<u>\$ 5,288,065</u>

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 3 - Allowances for Unsettled Claims and Claims Incurred but Not Reported (Continued)**

For the years ended June 30, 2006 and 2005, the estimates of the claims incurred but not reported as of those dates were actuarially determined and are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. The reserves for unsettled claims and claims incurred but not reported are presented at present value using a discount rate of 3 percent and 2 percent and a 50 percent confidence level for the years ended June 30, 2006 and 2005, respectively. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments of these amounts will affect the reported results of future periods.

The following table represents changes in the unpaid claims for the Trust for the years ended June 30, 2006 and 2005:

	2006	2005
Unpaid claims and claims adjustment expenses - Beginning of fiscal year	\$ 5,288,065	\$ 3,389,094
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current fiscal year	3,846,588	2,923,004
Change in provision for insured events of prior fiscal years	<u>(611,179)</u>	<u>1,245,211</u>
Total incurred claims and claims adjustment expenses	3,235,409	4,168,215
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	1,348,603	526,924
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	<u>1,986,672</u>	<u>1,453,230</u>
Total payments	3,335,275	1,980,154
Change in amount to be paid by excess insurance carrier	<u>(175,301)</u>	<u>(289,090)</u>
Unpaid claims and claims adjustment expenses - End of fiscal year	<u>\$ 5,012,898</u>	<u>\$ 5,288,065</u>

# M.A.I.S.L. Joint Risk Management Trust

## Notes to Financial Statements June 30, 2006 and 2005

### Note 3 - Allowances for Unsettled Claims and Claims Incurred but Not Reported (Continued)

The estimated liability for incurred prior year claims decreased in 2006 and increased in 2005 due primarily to claims settling for amounts different from those originally estimated.

### Note 4 - Insurance Coverage

The Trust has acquired excess property and liability insurance coverage for both specific claims and aggregate claims paid by the Trust. The specific insurance policies will reimburse the Trust for any specific claims in excess of the amounts shown below, up to the maximum coverage shown below. Under the aggregate policy, the insurance carrier will reimburse the Trust for all claims paid in excess of the Loss Fund as shown below. Upon exhaustion of the Loss Fund, the excess insurance carrier becomes the primary insurer to the extent of the coverage provided in the contract as specified below.

Accident Date by Insurance Period	Deductible	Specific Occurrence			Aggregate	
		In	Maximum		Excess Insurance	Maximum
		Excess of	Coverage		Loss Fund	Coverage
Policy year 17:						
General and auto liability	\$ -	\$ 400,000	\$ 6,000,000	(2), (3)	(1)	Unlimited
Damage to insured's property	1,000	400,000	201,000,000	(2), (4)	(1)	Unlimited
Robbery and forgery	1,000	400,000	100,000	(2)	(1)	Unlimited
Employee fidelity	1,000	400,000	200,000	(2)	(1)	Unlimited
Policy year 18:						
General and auto liability	-	400,000	6,000,000	(2), (3)	(1)	Unlimited
Damage to insured's property	1,000	400,000	201,000,000	(2), (4)	(1)	Unlimited
Robbery and forgery	1,000	400,000	100,000	(2)	(1)	Unlimited
Employee fidelity	1,000	400,000	200,000	(2)	(1)	Unlimited

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 4 - Insurance Coverage (Continued)**

- (1) The maximum exposure to the Trust for any combination of the above types of claims is as follows:

<u>Years Ended</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 3,750,000
2005	3,615,533

- (2) Liability reverts back to the school district after its policy limit is reached.
- (3) Several member school districts have purchased additional coverage for general and liability claims, ranging from \$5,000,000 to \$20,000,000, per occurrence.
- (4) Limit of \$200,000,000 layer is limit per occurrence for the Trust members collectively.



## **Required Supplemental Information**

---

# **M.A.I.S.L. Joint Risk Management Trust**

## **Required Supplemental Information Schedule of Claims Information for All Lines of Coverage**

The table on the following page illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the last 10 years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the Trust, including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Trust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued), as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- (5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- (6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years. A part of the annual change in estimated claims will be an increase attributable to accretion in the present value computation. That amount is not shown separately. All computations of claims are made using the discounted present value method and a 50 percent confidence level.

# M.A.I.S.L. Joint Risk Management Trust

## Schedule of Claims Information for All Lines of Coverage (Continued)

### Required Supplemental Information

Fiscal Year Ended June 30	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(1) Required contributions and investment revenue:										
Earned	\$ 4,513,868	\$ 4,456,773	\$ 4,488,857	\$ 4,834,072	\$ 4,923,003	\$ 6,578,302	\$ 7,962,964	\$ 9,195,760	\$ 9,531,629	\$ 9,883,167
Ceded	2,290,123	1,951,445	1,940,454	2,324,587	2,387,338	2,976,493	4,116,259	4,740,438	4,944,009	4,868,943
Net earned	2,223,745	2,505,328	2,548,403	2,509,485	2,535,665	3,601,809	3,846,705	4,455,322	4,587,620	5,014,224
(2) Unallocated expenses	659,692	551,091	573,513	622,794	645,703	711,376	769,742	1,041,155	1,143,322	1,216,177
Policy Year Ended June 30										
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	2,520,805	1,994,217	2,645,331	2,440,816	2,831,336	2,417,270	2,398,488	2,734,750	2,923,004	3,846,588
Ceded	1,068,864	292,000	826,001	648,999	923,000	-	-	-	-	96,588
Net incurred	1,451,941	1,702,217	1,819,330	1,791,817	1,908,336	2,417,270	2,398,488	2,734,750	2,923,004	3,750,000
(4) Net paid (cumulative) as of:										
End of policy year	1,205,579	678,114	868,552	605,564	1,118,158	930,486	734,347	967,417	526,924	1,348,603
One year later	1,446,080	1,115,398	1,704,778	1,273,877	1,893,307	1,594,953	1,423,097	1,715,655	1,155,558	-
Two years later	1,456,536	1,474,831	1,834,704	1,623,537	1,893,307	1,787,633	1,515,004	2,878,902	-	-
Three years later	1,456,436	1,620,125	1,843,812	1,623,537	1,926,001	2,410,401	1,751,927	-	-	-
Four years later	1,456,436	1,747,073	1,843,812	1,784,527	1,920,245	2,448,023	-	-	-	-
Five years later	1,451,816	1,747,073	1,843,812	1,786,235	1,916,540	-	-	-	-	-
Six years later	1,451,816	1,749,007	1,843,812	1,787,955	-	-	-	-	-	-
Seven years later	1,451,816	1,749,007	1,761,741	-	-	-	-	-	-	-
Eight years later	1,451,816	1,749,007	-	-	-	-	-	-	-	-
Nine years later	1,451,816	-	-	-	-	-	-	-	-	96,588
(5) Re-estimated ceded claims and expenses	1,142,018	-	87,827	-	30,209	894,071	85,000	286,758	-	-
(6) Re-estimated incurred claims and expenses:										
End of policy year	1,451,941	1,702,217	1,819,330	1,791,817	1,908,336	2,417,270	2,398,488	2,734,750	2,923,004	3,750,000
One year later	1,457,714	1,732,796	1,839,909	1,832,008	1,886,793	2,461,824	2,393,999	3,530,481	2,457,860	-
Two years later	1,456,536	1,761,921	1,843,769	1,773,873	1,925,166	2,408,743	2,229,941	3,580,823	-	-
Three years later	1,456,436	1,761,528	1,842,642	1,768,379	1,926,001	2,761,289	2,065,407	-	-	-
Four years later	1,456,436	1,753,964	1,842,598	1,814,315	1,925,942	2,741,376	-	-	-	-
Five years later	1,451,816	1,761,099	1,843,812	1,786,277	1,916,540	-	-	-	-	-
Six years later	1,451,816	1,749,007	1,843,812	1,788,440	-	-	-	-	-	-
Seven years later	1,451,816	1,749,007	1,761,741	-	-	-	-	-	-	-
Eight years later	1,451,816	1,749,007	-	-	-	-	-	-	-	-
Nine years later	1,451,816	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims and expenses, end of policy year	(125)	46,790	(57,589)	(3,377)	8,204	324,106	(333,081)	(846,073)	(465,144)	-

## **Other Supplemental Information**

---

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Operations by Policy Year from Inception through June 30, 2006

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
<b>Revenue</b>									
Member contributions	\$ 4,380,730	\$ 5,137,988	\$ 5,270,372	\$ 4,765,980	\$ 4,360,463	\$ 4,308,097	\$ 4,319,415	\$ 4,636,581	\$ 4,806,458
Investment income	236,222	164,956	185,764	80,201	60,254	163,780	130,997	161,700	122,320
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenue	4,616,952	5,302,944	5,456,136	4,846,181	4,420,717	4,471,877	4,450,412	4,798,281	4,928,778
<b>Expenses</b>									
Provision for claims:									
Payments	1,163,455	1,785,532	1,507,576	1,488,325	1,451,816	1,749,007	1,761,741	1,787,955	1,916,540
Addition to liabilities for unsettled claims and claims incurred but not reported -	-	-	-	-	-	-	-	485	-
Net of reinsurance recovery	2,504,457	3,038,251	3,182,098	2,722,025	2,285,765	2,031,267	1,940,454	2,324,587	2,403,103
Excess insurance premiums	207,570	265,761	284,102	317,754	318,371	277,329	317,677	334,188	362,038
Service fee	-	-	-	-	-	-	-	-	-
Administrative expenses:									
Risk manager	34,234	32,682	36,546	43,421	45,000	38,660	45,338	43,200	45,000
Insurance and bonds	15,000	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425
Professional fees	34,892	34,948	31,219	30,383	28,230	25,603	45,848	36,042	25,420
Office expenses	50,838	44,228	55,374	50,799	64,791	68,760	62,409	62,323	70,738
Administrative fee	39,557	85,400	101,400	110,400	120,000	125,000	130,000	133,900	112,515
Surplus lines tax/State assessments	313	347	6,705	7,831	8,514	8,834	9,666	11,700	13,567
Total expenses	4,050,316	5,303,574	5,221,445	4,787,363	4,338,912	4,340,885	4,329,558	4,750,805	4,965,346
<b>Excess of Revenue Over (Under) Expenses -</b>									
Before distributions to members	566,636	(630)	234,691	58,818	81,805	130,992	120,854	47,476	(36,568)
<b>Distributions to Members</b>	476,272	-	-	-	-	-	-	-	-
<b>Members' Equity (Deficit)</b>	<b>\$ 90,364</b>	<b>\$ (630)</b>	<b>\$ 234,691</b>	<b>\$ 58,818</b>	<b>\$ 81,805</b>	<b>\$ 130,992</b>	<b>\$ 120,854</b>	<b>\$ 47,476</b>	<b>\$ (36,568)</b>

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Operations by Policy Year from Inception through June 30, 2006 (Continued)

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Revenue</b>					
Member contributions	\$ 6,487,556	\$ 7,899,706	\$ 9,011,882	\$ 9,393,989	\$ 9,526,716
Investment income	109,405	120,143	43,908	109,941	222,710
Miscellaneous revenue	-	-	-	5,238	-
Total revenue	6,596,961	8,019,849	9,055,790	9,509,168	9,749,426
<b>Expenses</b>					
Provision for claims:	2,448,023	1,751,927	2,878,902	1,155,558	1,348,603
Payments					
Addition to liabilities for unsettled claims					
and claims incurred but not reported -					
Net of reinsurance recovery	293,353	313,480	602,236	1,302,302	2,501,082
Excess insurance premiums	2,962,499	4,116,259	4,740,438	4,944,009	4,868,943
Service fee	386,553	426,583	441,139	462,576	533,477
Administrative expenses:					
Risk manager	46,350	47,740	48,172	50,581	53,110
Insurance and bonds	16,421	16,421	16,422	16,422	16,422
Professional fees	25,944	31,252	28,402	30,967	35,841
Office expenses	31,653	50,430	78,328	53,582	47,224
Administrative fee	111,285	117,485	122,016	139,595	158,685
Surplus lines tax/State assessments	92,855	100,124	285,473	364,677	397,250
Total expenses	6,414,936	6,971,701	9,241,528	8,520,269	9,960,637
<b>Excess of Revenue Over (Under) Expenses -</b>					
Before distributions to members	182,025	1,048,148	(185,738)	988,899	(211,211)
<b>Distributions to Members</b>	-	-	-	-	-
<b>Members' Equity (Deficit)</b>	<u>\$ 182,025</u>	<u>\$ 1,048,148</u>	<u>\$ (185,738)</u>	<u>\$ 988,899</u>	<u>\$ (211,211)</u>

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Operations and Changes in Members' Equity (Deficit) by Policy Year

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
<b>Revenue</b>											
Member contributions	\$ 5,418	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	14,044	3,208	4,919	7,878	2,317	2,959	-	9,767	53,182
<b>Total revenue</b>	<b>5,418</b>	<b>-</b>	<b>14,044</b>	<b>3,208</b>	<b>4,919</b>	<b>7,878</b>	<b>2,317</b>	<b>2,959</b>	<b>-</b>	<b>9,767</b>	<b>53,182</b>
<b>Expenses</b>											
Provision for claims:											
Payments	-	-	(1,333)	-	-	-	(82,071)	1,720	(3,705)	42,257	236,923
Addition to (reduction of) liabilities for unsettled claims and claims incurred by not reported - Net of reinsurance recoveries	-	-	-	-	-	-	-	443	(5,697)	(62,170)	(401,457)
Excess insurance premiums	-	-	-	-	-	-	-	-	-	-	(910)
Service fee	-	-	-	-	-	-	-	-	-	-	-
Administrative expenses:											
Risk manager	-	-	-	-	-	-	-	-	-	-	-
Insurance and bonds	-	-	-	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-	-	-	-
Office expenses	-	-	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-	-	-
Surplus lines tax/State assessments	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>(1,333)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(82,071)</b>	<b>2,163</b>	<b>(9,402)</b>	<b>(19,913)</b>	<b>(165,444)</b>
<b>Excess of Revenue Over (Under) Expenses</b>	<b>5,418</b>	<b>-</b>	<b>15,377</b>	<b>3,208</b>	<b>4,919</b>	<b>7,878</b>	<b>84,388</b>	<b>796</b>	<b>9,402</b>	<b>29,680</b>	<b>218,626</b>
<b>Members' Equity (Deficit) - Beginning of year</b>	<b>84,946</b>	<b>(630)</b>	<b>219,314</b>	<b>55,610</b>	<b>76,886</b>	<b>123,114</b>	<b>36,466</b>	<b>46,680</b>	<b>(45,970)</b>	<b>152,345</b>	<b>829,522</b>
<b>Members' Equity (Deficit) - End of year</b>	<b>\$ 90,364</b>	<b>\$ (630)</b>	<b>\$ 234,691</b>	<b>\$ 58,818</b>	<b>\$ 81,805</b>	<b>\$ 130,992</b>	<b>\$ 120,854</b>	<b>\$ 47,476</b>	<b>\$ (36,568)</b>	<b>\$ 182,025</b>	<b>\$ 1,048,148</b>

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Operations and Changes in Members' Equity (Deficit) by Policy Year (Continued)

	2003-04	2004-05	2005-06	Total
<b>Revenue</b>				
Member contributions	\$ -	\$ -	\$ 9,526,716	\$ 9,526,716
Investment income	-	30,049	222,710	356,451
Total revenue	-	30,049	9,749,426	9,883,167
<b>Expenses</b>				
Provision for claims:				
Payments	1,164,247	628,634	1,348,603	3,335,275
Addition to (reduction of) liabilities for unsettled claims and claims incurred by not reported - Net of reinsurance recoveries	(1,213,590)	(1,093,778)	2,501,082	(275,167)
Excess insurance premiums	-	-	4,868,943	4,868,943
Service fee	-	(24,922)	533,477	507,645
Administrative expenses:				
Risk manager	-	-	53,110	53,110
Insurance and bonds	-	-	16,422	16,422
Professional fees	-	-	35,841	35,841
Office expenses	-	-	47,224	47,224
Administrative fee	-	-	158,685	158,685
Surplus lines tax/State assessments	-	-	397,250	397,250
Total expenses	(49,343)	(490,066)	9,960,637	9,145,228
<b>Excess of Revenue Over (Under) Expenses</b>	49,343	520,115	(211,211)	737,939
<b>Members' Equity (Deficit) - Beginning of year</b>	(235,081)	468,784	-	1,811,986
<b>Members' Equity (Deficit) - End of year</b>	<b>\$ (185,738)</b>	<b>\$ 988,899</b>	<b>\$ (211,211)</b>	<b>\$ 2,549,925</b>